

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	EB Docket No. 07-147
)	
PENDLETON C. WAUGH, CHARLES M. AUSTIN, and JAY R. BISHOP)	File No. EB-06-IH-2112
)	NAL/Acct. No. 200732080025
)	
PREFERRED COMMUNICATION SYSTEMS, INC.)	FRN No. 0003769049
)	
Licensee of Various Site-by-Site Licenses in the Specialized Mobile Radio Service.)	
)	
PREFERRED ACQUISITIONS, INC.)	FRN No. 0003786183
)	
Licensee of Various Economic Area Licenses in the 800 MHz Specialized Mobile Radio Service)	

**To: Chief Administrative Law Judge
Richard L. Sippel**

SETTLEMENT FACT STATEMENT

INTRODUCTION

(1) On August 6, 2009, the Presiding Judge in this proceeding issued an Order whereby a “Settlement Agreement” between all Parties (excluding Pendleton C. Waugh) was approved. As a result of a pleading (“Request for Permission To File Reply....”) filed by Waugh on August 12, 2009, the Presiding Judge concluded that he needed additional information from the Parties to the proceeding. Accordingly, the Presiding Judge issued two Orders (August 20th and August 25th)

requiring the Parties, inter alia, to file “Settlement Fact Statements” regarding the circumstances leading to the “Settlement Agreement.”

(2) The aforementioned Orders request information from the date of the last stay (June 12, 2009) in this proceeding. With all due respect to the Court, PCSI has expanded its commentary beyond this stipulation in order to provide the Court with a full and complete understanding of all the circumstances that are relevant to the form and execution of the “Settlement Agreement.”

OVERVIEW OF CONFLICT AND CONFUSION

(3) There can be no doubt that the lingering issues in this proceeding are a direct result of Pendleton C. Waugh’s (“Waugh”) ongoing effort to use his position in the proceeding as undue leverage in forcing Preferred to acquiesce to his exorbitant and wholly unsupported claims to a substantial equity interest in the Company.

(4) Waugh’s statements in his pleading in this proceeding are false and misleading and were intended to be inflammatory. Waugh’s ploy worked, he has successfully manipulated the Presiding Judge to essentially re-open the proceeding. Waugh states that the “Settlement Agreement” (between the FCC and Preferred) “imposed two penalties” that “deprive him of property interests or rights.” This is false and misleading. **There are no penalties against Waugh or loss of any property interests or rights in the Settlement Agreement.** Waugh distorts the irrefutable facts that: (1) he was previously fired by the Company, with no thought to rehire, and (2) his “claims” for exorbitant compensation were rejected by the Company. **These are not**

“penalties;” they are consequences of his performance (or lack thereof) as a consultant.

Preferred’s position regarding Waugh’s termination and his so-called compensation, was not mandated by the FCC, instead it was a well-reasoned decision that is in the best interest of the Company. Furthermore, Waugh is not being deprived of any “property interests or rights” under the Settlement Agreement.

(5) The Settlement Agreement has absolutely no impact on Waugh whatsoever.

Separately from, and long before the Settlement Agreement was discussed, the Company had terminated Waugh and notified him that it would never issue stock (or warrants) to him directly (or indirectly via a trust, etc.). The Settlement Agreement simply reiterates these positions; it was a document that was used, *inter alia*, to formally affirm (to the FCC) the Company’s position regarding Waugh. On these points, the Settlement Agreement has no affect on Waugh; he is in the identical position “after” the Settlement Agreement, as he was “before” the Settlement Agreement. The only thing Waugh has in regards to Preferred is his so-called “claim” for past compensation for his work as a consultant. That “claim” has only three possible future paths, it can: (1) be left as is, thus not pursued, (2) resolved amicably with the Company, or (3) litigated in civil court, i.e. a court of competent jurisdiction. The FCC, its Enforcement Bureau and/or the Administrative Law Judge in this proceeding have no jurisdiction regarding Waugh’s so-called “claims.”

(6) In simple terms, Waugh claims he is entitled to approximately 2.2 million shares of the Company’s stock in the form of a combination of issued shares and warrants, plus other financial consideration, stemming from his work as a consultant for the Company. The Company’s

position is that he is not entitled to what he claims. This is hereinafter referred to as the “dispute” or the “Waugh Contract Dispute.”

(7) This “dispute” has been ongoing for years without resolution; with its origins dating back over ten years. Preferred sees this as a business dispute between two parties, nothing more, nothing less. There can be no question that the “dispute” between Waugh and Preferred is a “contractual” matter. It is a private business matter between two parties who can’t agree on the payment of consideration for consulting fees.

(8) Arguably, the Waugh Contract Dispute is outside the purview of the FCC and this proceeding. It became an issue because of Waugh’s efforts to use his position as a “party” to the proceeding as leverage against the Company. It was generally understood that a “global” settlement of the proceeding, one in which all “parties” execute, was preferred over any alternative. Knowing this, Waugh (in the end) held the FCC and Preferred hostage by refusing to participate in any “good faith” negotiations for a global settlement.

(9) The Company tried for nearly four months (prior to the execution of the Settlement Agreement) to resolve its dispute with Waugh; including making offers far in excess of what it believed he was entitled to. Such offers reflected the overall benefit of an expeditious settlement of the proceeding, which presumably required a “global” settlement. In a business sense, the Company placed a value on Waugh’s signing a “global” settlement, however, there was a limit to said value. At times, the Company believed it was nearing a resolution of the Waugh Contract Dispute; however, Waugh backtracked in the end to create an insurmountable impasse.

(10) In mid-July, after four months of effort, Preferred notified the FCC of the impasse, and requested that the FCC entertain entering a settlement with Preferred (and all other parties, excluding Waugh) that did not require Waugh's signature.

(11) The root of the matter is that Waugh "alleges" that he has been deprived of certain "rights" in the Settlement Agreement. These so-call rights are his position as a consultant for PCSI and his "alleged" unpaid compensation in the form of stock in the Company. Well over a year ago, PCSI made a business to terminate Waugh as a consultant. Additionally, it made a decision that he was not entitled to all that he claimed was due and that any compensation would not be in the form of stock.

(12) The Settlement Agreement merely affirms PCSI's position regarding Waugh to the FCC, who were interested in Waugh's standing with the Company. In *PCSI's Settlement Proposal* to the FCC (see Attachment C, hereto), the Company again (as it had previously done) disclosed to the FCC that PCSI had an outstanding issue (i.e. Waugh's alleged unpaid compensation) with Waugh. In an effort to provide transparency and clarity, PCSI affirmed its position to the FCC in the Settlement Agreement. To the extent there are "rights" involved in this setting, it is PCSI that had (has) the right to declare that it denies Waugh's exorbitant compensation claims.

(13) Waugh's situation is totally unaffected by the Settlement Agreement; not only does he not lose any "rights," but his alleged "claims" are unaffected. The Settlement Agreement does not, nor could it, eliminate any alleged claims that Waugh has against PCSI. Instead, it merely reflects PCSI's position that it will not voluntarily issue stock to Waugh.

(14) If Waugh chooses, he can pursue a civil action (in a court of competent jurisdiction) against PCSI, and if he prevails in such action, could obtain a judgment against PCSI. Furthermore, said judgment could provide for some sort of “specific performance,” i.e. ordering PCSI to issue stock to Waugh. If that were to occur, his qualifications and overall situation with PCSI could (would) be examined by the FCC at that time. Thus, the Settlement Agreement has no impact on Waugh.

HISTORICAL PERSPECTIVE OF PROCEEDING

(15) In order to fully understand the circumstances leading up to the “Settlement Agreement” that excluded Waugh as a signer, it is relevant to recall and briefly review the circumstances that precipitated the proceeding in the first place.

(16) This proceeding commenced on July 20, 2007 upon the FCC’s filing of an “**Order to Show Cause**” (document # 07-125), which included Preferred Communication Systems, Inc. (aka PCSI and referred to as “Preferred” or the “Company”) and Pendleton C. Waugh (“Waugh”) as parties. This proceeding was listed as an Enforcement Bureau Action, E.B. Docket No. 07-147 (“EB Action” or “Proceeding”). **This was an exceedingly serious matter for the Company. If the matter went to a hearing, and the FCC prevailed, the Company would have all of its licenses revoked or cancelled and it could face monetary forfeitures of approximately six million dollars (\$6 Million).**

(17) The ***Order to Show Cause*** in this proceeding speaks for itself. The primary focus in the proceeding can generally be described as to whether or not Waugh was a shareholder of PCSI and, if so, were proper disclosures made to the FCC regarding said stock ownership. Many who have a vested interest in PCSI and who have followed the proceeding are of the opinion that if wasn't for Waugh, the Company wouldn't have been drawn into the proceeding. This conclusion is abundantly clear by simply looking at the **"Order to Show Cause"** (document # 07-125 released on July 20, 2007) that launched the FCC Hearing (Docket # 07-147). The following is a direct quote from the FCC's description of the events that prompted their investigative actions:

"... the Commission's Enforcement Bureau ("Bureau") received information suggesting that PCSI may have transferred control of all of its licenses to Waugh without prior Commission authorization. The Bureau immediately commenced an investigation..."(see paragraph 16 of said document).

(18) The FCC's **"Order to Show Cause"** filing (document # 07-125 released on July 20, 2007, at page 3-5) describes **Waugh's background as follows:**

- a) **In 1990, Waugh, an attorney** who was licensed to practice law in Texas, formed Express Communications, Inc. ("Express") and several affiliated entities, to acquire wireless licenses.¹ Waugh became president and was a majority owner of Express. In 1993, Waugh came under investigation by federal authorities for activities relating to his involvement in Express. As a result of that investigation, **Waugh was indicted in 1994** in the United States District Court for the Northern District of Texas on one count of conspiracy to structure financial transactions to evade securities and banking reporting requirements and one count of money laundering, both felonies. Waugh ultimately pled

¹ See *U.S. v. Waugh*, Indictment, Case No. 3:94-CR-160-T (N.D. Tex. May 11, 1994).

guilty to the first count, and the second count was dismissed.² **In 1995**, as a result of the plea agreement, **Waugh was sentenced to 21 months in federal prison**, followed by three years of probation, and payment of \$20,000 in fines.³ As part of his plea agreement, Waugh agreed not to violate any federal, state, or local laws, and specifically regulations or orders issued by the United States Securities and Exchange Commission (“SEC”) or any equivalent state agency. He also agreed to divest himself, without compensation, of any ownership interests in Express and its affiliated entities.

- b) **Thereafter, in 1997**, the United States District Court for the District of Columbia granted the **SEC summary judgment against Waugh** for violations of various securities regulations stemming from his involvement in Express.⁴ **Waugh was ordered to pay the federal government nearly \$13 million of illegally acquired funds**. He also was permanently enjoined from violating various securities laws.⁵
- c) **In 1999, Waugh was convicted of securities fraud**, a felony, in a case brought by the State of Texas, arising from his failure, in 1993, to disclose to a potential investor that he was under investigation by federal authorities for activities relating to his involvement in Express.⁶ **Waugh was sentenced to four years in state prison**, all of which were suspended pending successful completion of probation.⁷ He also was ordered to pay \$72,000 in restitution and to complete 500 hours of community service.⁸
- d) **Later in 1999**, Waugh was determined to have **violated the terms of his parole** from federal prison and his probation on his state conviction by traveling to Puerto Rico to engage in activities relating to cellular telephone securities.⁹ As a result, **Waugh was sentenced to six additional months in federal prison and four years in state prison**.¹⁰

² See *U.S. v. Waugh*, Plea Agreement, Case No. 3:94-CR-160-T (N.D. Tex. July 13, 1994).

³ See *U.S. v. Waugh*, Judgment, Case No. 3:94-CR-160-T (N.D. Tex. Jan. 25, 1995).

⁴ See *Securities and Exchange Commission v. Express Communications, Inc.*, Complaint by Securities and Exchange Commission, Case No. 95-CV-2268 (D.D.C. Dec. 13, 1995).

⁵ See *Securities and Exchange Commission v. Express Communications, Inc.*, Revised Final Judgment of Permanent Injunction and Other Relief Against Defendant Pendleton C. Waugh, Case No. 95-CV-2268 (D.D.C. Mar. 7, 1997).

⁶ See *Texas v. Waugh*, Judicial Confession and Consent to Stipulation of Evidence, Case No. F-9703517 (Crim. Dist. Ct. Dallas, TX Mar. 5, 1999).

⁷ See *Texas v. Waugh*, Judgment, Case No. F-9703517 (Crim. Dist. Ct. Dallas, TX May 17, 1999).

⁸ See *Texas v. Waugh*, Judgment, Case No. F-9703517 (Crim. Dist. Ct. Dallas, TX May 17, 1999).

⁹ See *U.S. v. Waugh*, Judgment in a Criminal Case (For Revocation of Probation or Supervised Release), Case No. 3:94-CR-160-T (N.D. Tex. N.D. Tex. July 9, 1999).

¹⁰ See *U.S. v. Waugh*, Order Granting in Part and Denying in Part Defendant’s Motion to for Authorization to Travel, Case No. 3:94-CR-160-T (N.D. Tex. N.D. Tex. Aug. 26, 1996). In particular, the court noted that “[t]he probation office has informed the Court that Waugh may be engaged in calling and sending information to potential investors to solicit their money, in violation of a previous order of this Court.” See *id.* See also *Texas v. Waugh*, Judgment Revoking Community Supervision, Case No. F-9703517 (Crim. Dist. Ct. Dallas, TX Jan. 11, 2001).

(15) As additional background, **Waugh is a disbarred attorney**. He has been disbarred by the Securities and Exchange Commission (SEC) and by the States of Texas and Georgia.

THE WAUGH vs. PREFERRED (PCSI) - “SIDE-SHOW”

(16) As noted above, this Proceeding was in large part focused on whether or not Waugh was ever issued stock (directly or indirectly via a “Trust”) as compensation for his services as a consultant, which was a matter of concern to the FCC. Ample evidence was provided (by PCSI and Waugh) in the Proceeding to prove to the EB that no such stock was ever issued. However, of greater significance to the issues currently under review by the Presiding Judge, there has never been any disagreement between PCSI and Waugh that no such stock was ever issued. The conflict between Waugh and PCSI is to whether it will ever be issued. This fact is confirmed herein by PCSI, as reiterated in the Settlement Agreement. Separately, Waugh has confirmed this numerous times in documents (including his deposition) he provided in this Proceeding; the latest being his “sworn affidavit” attached to his August 6, 2009 pleading (see *Motion for Partial Summary Decision* filed by Waugh).

(17) A full discussion of Waugh’s consulting services and related compensation is far beyond the scope of this filing. However, it is relevant to document that it is a “contractual dispute” as opposed to Waugh’s spinning it as some sort of “right.”

(18) Preferred sees this as a business dispute between two parties, nothing more, nothing less. There can be no question that the “dispute” between Waugh and Preferred is a “contractual”

matter. It is a private business matter between two parties who can't agree on the payment of consideration for consulting fees.

(19) This "dispute" has been ongoing for years without resolution; with its origins dating back over ten years. It has evolved to a point where the only thing in common between the parties is that each has declared the other to be in "breach" of the agreement.

(20) The matter of the amount and form of further compensation, if any, to Mr. Waugh for services rendered as a consultant is an exceedingly contentious matter. **Mr. Waugh summarized his current relationship with Preferred quite clearly in his deposition.** dated January 26, 2009, in the FCC Enforcement Bureau (EB) action against Preferred, et al. In his deposition, Mr. Waugh described the "possibility of litigation" (with Preferred) regarding his compensation as ".....a highly likely probability of litigation." and further stated that litigation was a "virtual certainty."

(21) As a consultant, Mr. Waugh's compensation was premised on a value-added basis. Mr. Waugh represented himself as an **expert** in matters related to the wireless telecommunications business, FCC regulations, FCC licensing, etc. Furthermore, he persuaded the Company that, with his involvement and by following his "expert" advice, the Company would realize enhanced value of such a magnitude as to justify his receiving a substantial stock position. Unfortunately, reality was quite the opposite. The bottom line is Mr. Waugh's involvement and advice has been exceedingly costly to the Company.

(22) A resolution of the contractual dispute between Waugh and Preferred has become a contentious matter not only between Waugh and Preferred, but also (on Preferred's side of the table) among those who have a vested interest in Preferred. There are those who state that, all things considered, Waugh should receive little or nothing, and any further compensation must not be in the form of equity ownership in Preferred.

(23) As a small start-up, Preferred does not have the luxury of in-house redundancy in its pursuit of its business objectives. It, as is often the case with small companies, relies on outside experts until such time as it is prudent to fully develop its in-house organizational structure. Preferred relied on Mr. Waugh to provide input to the Company, and deliver on his representations as being an "expert" in various matters. Unfortunately, the Company's reliance on Mr. Waugh was (in hindsight) ill-advised; consequently, the expected positive impact to Company never materialized. To the contrary, Mr. Waugh's overall involvement has had a negative impact.

(24) Mr. Waugh promised many things, but in the end, delivered very little. The Company has specific problems with Mr. Waugh's "consulting services." These include, but are not limited to, his advice, data and strategy regarding: (1) FCC Auction #34, in which the Company expended over \$31 million to acquire certain licensing rights, (2) financial forecasts and business models, and (3) the FCC 800Mhz "*Rebanding Proceeding*" – WT 02-55.

(25) As a pre-emptive comment, PCSI was willing to consider providing Waugh stock compensation as depicted in a preliminary settlement proposal to the EB, that was jointly submitted by Waugh and PSCI in July 2008. However, circumstances leading up to, and subsequent to, that

proposal being made, have altered dramatically. As clearly described above, that proposal does not reflect Preferred's current position. Furthermore, to the extent that proposal has any relevance, it is not in this proceeding. Any relevance would be if, and only if, Waugh pursues his so-called claims against PCSI, as discussed above. Further discussion of this point is beyond the scope of this filing.

SETTLEMENT NEGOCIATIONS - POST JUNE 15, 2009

(25) In this Proceeding, there were actually two layers of "negotiations." The first is obviously negotiations among the parties to the Proceeding in an effort to attain a "global" settlement to the Proceeding. The second layer were the negotiations between Waugh and PCSI regarding Waugh's consulting fee dispute. The Waugh fee dispute was an issue because Waugh would not sign off on any "global" settlement unless this was also resolved. Consequently, PCSI endeavored to resolve its issues with Waugh in order to get to a global settlement in the Proceeding.

(26) By June 15, 2009, PSCI and the FCC were in "general" agreement on how to settle the matters related solely to PCSI. The remaining issue was if and how PCSI would resolve its contract dispute with Waugh.

(27) Prior to June 15, 2009, PCSI made a proposal to Waugh regarding the consulting fee dispute whereby PCSI would further compensate Waugh, not with stock, but instead use a formula base on "stock equivalents." In a memorandum (see Attachment B, hereto) prepared by Mr. Silva

(Waugh's attorney) which was circulated on June 5th, it appeared as if Waugh was open to the concept of "non-stock" compensation. Additionally, this memo included certain inaccuracies by Mr. Silva, including the erroneous statement that the FCC was dictating to PCSI as to the "non-stock" compensation.

(28) PCSI responded with its letter dated June 15th (see Attachment B, hereto) to point out Mr. Silva's errors and to, once again, state PSCI's position regarding its dispute with Waugh. This letter has been included as an attachment (vs. a description), since it is a comprehensive reflection of PCSI's position.

(29) Between June 15th and July 8th, PCSI made several attempts to engage Waugh (via his attorney) in substantive dialog, to no avail. The feedback PCSI received was that Mr. Silva could not commit to any specific efforts being made by Waugh or any timeframe in which he would have something substantive to say.

(30) On July 8th, Mr. Silva circulated a letter that clearly reversed Waugh's position on various matters, including the concept of "non-stock" compensation and added other "ridiculous" demands. At this point, PCSI concluded that further efforts to resolve the consulting fee dispute with Waugh would be fruitless and a waist of time.

(31) Between July 8th and the 15th, PCSI worked on and prepared a Settlement Proposal, and on July 15th, presented it to the Enforcement Bureau (EB) for their consideration. As part of this process, PCSI advised the EB that it had reached an impasse with Waugh regarding the

consulting fee dispute. Thereafter, PCSI received a draft copy of a Settlement Agreement from the EB, discussed its language, received a further draft, then an execution copy, which was signed.

WAUGH / JUDY CONSPIRACY & TORTUOUS INTERFERENCE

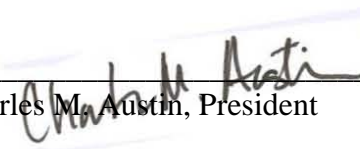
(32) It is beyond the scope of this proceeding to discuss what PCSI believes to be a conspiracy between Waugh and Michael Judy (and others) to interfere with PCSI's business endeavors. The only reason for mentioning it is that part of the conspiracy is to gain control of the company in order to then approve the exorbitant consulting fees to Waugh. Judy has filed certain actions against PCSI in Delaware, which "coincidentally" (or not) were filed at the same time (July 8, 2009) Waugh refused to negotiate in good faith as evidenced by his letter. PCSI has filed counter-claims of fraud, conspiracy and tortuous interference in Delaware against Waugh, Judy and certain other parties.

CLOSING

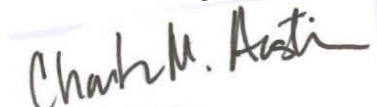
(33) For all the reasons stated above, the Respondents respectfully requests the Presiding Judge to reaffirm, or otherwise let stand, the previous Order approving the Settlement Agreement and terminating the proceeding.

Respectfully submitted,

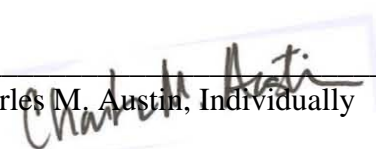
**PREFERRED COMMUNICATION
SYSTEMS, INC.**

By: 
Charles M. Austin, President

PREFERRED ACQUISITIONS, INC.

By: 
Charles M. Austin, President

CHARLES M. AUSTIN

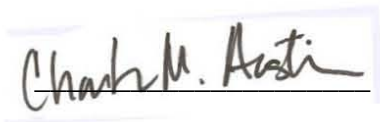
By: 
Charles M. Austin, Individually

AFFIDAVIT OF
CHARLES M. AUSTIN
IN SUPPORT OF
SETTLEMENT FACT STATEMENT

I am over the age of eighteen years and fully capable of stating the following in support of the “*Settlement Fact Statement*.”

Based on my personal knowledge, all statements and all facts included in the “*Settlement Fact Statement*” are true and correct to the best of my knowledge.

I declare under penalty of perjury that the foregoing is true and correct. Executed on August 28, 2009.

A handwritten signature in black ink that reads "Charles M. Austin". The signature is written in a cursive style and is positioned above a horizontal line.

Charles M. Austin

Certificate of Service

I, Charles M. Austin, hereby certify that on this 28th day of August, 2009, I caused copies of the foregoing "*Settlement Fact Statement*" to be served (via US mail, electronic mail or facsimile, as noted, pursuant to the orders in this proceeding) on the following:

The Honorable Richard L. Sipple *
Chief Administrative Law Judge
Federal Communications Commission
445 12th Street, S.W., Room 1-C768
Washington, D.C 20554

*Fax # 202-418-0195

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Mr. Michael D. Judy**
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**(destunymike@yahoo.com)



Charles M. Austin

ATTACHMENT A

MEMORANDUM RE SETTLEMENT

To: Parties to EB Docket No. 07-147
From: Bill Silva
Re: Settlement Proposal

The primary difficulty in settling the case has been the form in which the compensation to Mr. Waugh should take in fulfillment of the original agreement to issue stock to the voting trust, for services performed which were not fully paid, and for expenses which were not reimbursed. The positions of the parties are summarized below:

The Bureau is not concerned with the amount of compensation, but will not agree to any settlement in which the compensation is made in the form of stock issued to the voting trust. It apparently will not object if Waugh's interest is in the form of a debt and it does not seem to care how the debt is secured. The problem with this position is that it puts the company in a difficult position to raise capital and proceed to become a successful business.

Mr. Austin views the settlement as that of a consulting agreement only and not of a resolution of the original agreement between himself and Mr. Waugh to issue stock to the voting trust. Mr. Austin has suggested that Mr. Waugh's compensation should be set forth in a contract which would provide that Waugh would receive the equivalent value of stock when certain events occur. Waugh's interest would not be secured and he would, in effect, be an unsecured creditor of the company. In addition, there is no provision which would prevent the value of Mr. Waugh's interest from being diluted by the issuance of additional stock.

Waugh would prefer to receive his interest in the form that was originally agreed to and which was the result of consultation with reputable communications counsel as to its propriety; stock to the voting trust. However, that has been ruled out by the Bureau. In lieu of that, Waugh would agree to forego any present interest in the company. His compensation would instead be in the form of a future interest which would be described in an executory contract (similar to what Austin has proposed). This future interest would either be stock (preferable from the company's standpoint because it is not a debt and the necessity of determining an equivalent value is obviated) or, if necessary, the equivalent value of the stock. The future interest would become effective upon the occurrence of certain events outside of Mr. Waugh's control such as the issuance of stock, the sale of the company's stock or assets, the liquidation of the company, or the passage of a specific amount of time. The future interest could be enforced through specific performance.

If this outline is generally acceptable to the parties, we will endeavor to provide a draft executory agreement to the parties forthwith.

ATTACHMENT B



June 15, 2009

Mr. Pendleton C. Waugh
P.O. Box 4355
Scottsdale, AZ 85261

Mr. William D. Silva
5335 Wisconsin Avenue, N.W.
Washington, D.C. 20015-2003

Dear Messrs. Waugh and Silva:

This letter is in furtherance to our efforts to expeditiously resolve the ongoing contract dispute between Mr. Pendleton Waugh ("Waugh") and Preferred Communication Systems, Inc. ("Preferred"). In particular we are responding to a memorandum ("Memo"), dated June 5th, prepared by Mr. Silva. Additionally, we have further comments regarding certain items that were part of our conference call discussion on June 9th with Mr. Silva (Mr. Waugh did not participate in the call).

While we are encouraged by certain aspects on the Memo, we are disappointed with the lack of detail and clarity of your position. This ambiguity is obvious in your describing Waugh's "future interest" as being either stock, or not stock.

Unfortunately, your responses and interaction with us, to date, do not provide us with sufficient confidence that your drafting of an agreement is the best next step. We are concerned that it will be an elongated process for which there is currently no basis to expect that it will generate a workable document. Our concerns were somewhat confirmed during our conference call (June 9th) with Mr. Silva, who indicated that the document drafting process would begin, at the earliest, on June 16th. Furthermore, it is arguably premature to be drafting a document before there is anything close to an "agreement-in-principle" in place.

Accordingly, we believe the best next step is to pursue an ***agreement-in-principle***. To that end, we have attached a "Letter-of-Intent" ("LOI") as the suggested mechanism by which we can document an "agreement-in-principle," assuming one can be reached.

In order to avoid any misunderstanding as to our position, we feel it is necessary and relevant to reiterate certain points, which are presented below. Additionally, we see certain factual errors and distortions in the "Memo" as requiring commentary from us; our comments are included below.

COMMENTS RE “MEMO” – FACTUAL ERRORS & DISTORTIONS

The “Memo” states -- “*The Bureau is not concerned with the amount of compensation,...*”

We believe this statement is a distortion of the Bureau’s true position. Our understanding is that it is not a matter of “being concerned or not concerned,” instead it is a matter of whether or not the “amount” of compensation is within their purview, which it is not. However, the Bureau will become concerned regarding the “amount” of compensation if a party somehow uses the EB proceeding as leverage to attain something they would not otherwise be entitled.

The “Memo” states -- “*Mr. Austin views the settlement as that of a consulting agreement only and not of a resolution of the original agreement...*”

This statement is in error. It is abundantly clear in Preferred’s written offer (including written clarification) to Mr. Waugh, that it proposes a settlement of all matters.

The “Memo” states, regarding Mr. Waugh receiving stock in a trust -- “*...(this) has been ruled out by the Bureau.*”

We believe this statement is a distortion of the situation. The context of the Memo suggests that the Bureau is dictating to Preferred as to how it does (or does not) compensate Mr. Waugh. This is not the case. Preferred has made a business decision (separate from anything from the FCC) that it, as a Company, has decided not to ever issue stock to Mr. Waugh or any so-called trust. This is a prudent decision, which the Company will defend if and when needed.

HISTORICAL FRAMING

Preferred sees this as a business dispute between two parties, nothing more, nothing less. There can be no question that the “dispute” between Waugh and Preferred is a “contractual” matter. It is a private business matter between two parties who can’t agree on the payment of consideration for consulting fees.

This “dispute” has been ongoing for years without resolution; with its origins dating back over ten years. It has evolved to a point where the only thing in common between the parties is that each has declared the other to be in “breach” of the agreement.

The matter of the amount and form of further compensation, if any, to Mr. Waugh for services rendered as a consultant is an exceedingly contentious matter. Mr. Waugh summarized his current relationship with Preferred quite clearly in his deposition, dated January 26, 2009, in the FCC Enforcement Bureau (EB) action against Preferred, et al. In his deposition, Mr. Waugh described the “possibility of litigation” (with Preferred) regarding his compensation as “.....a highly likely probability of litigation.” and further stated that litigation was a “virtual certainty.”

As a consultant, Mr. Waugh's compensation was premised on a value-added basis. Mr. Waugh represented himself as an expert in matters related to the wireless telecommunications business, FCC regulations, FCC licensing, etc. Furthermore, he persuaded the Company that, with his involvement and by following his "expert" advice, the Company would realize enhanced value of such a magnitude as to justify his receiving a substantial stock position. Unfortunately, reality was quite the opposite. The bottom line is Mr. Waugh's involvement and advice has been exceedingly costly to the Company.

A resolution of the contractual dispute between Waugh and Preferred has become a contentious matter not only between Waugh and Preferred, but also (on Preferred's side of the table) among those who have a vested interest in Preferred. There are those who state that, all things considered, Waugh should receive little or nothing, and any further compensation must not be in the form of equity ownership in Preferred.

Additionally, there are those who believe that Preferred has a cause of action against Mr. Waugh related to the EB action, which has frozen all operational progress of the Company for nearly two years. Many believe that the EB's issues with Preferred would not exist had it not been for Mr. Waugh's failure to take care of his own personal matters. Consequently, Mr. Waugh's negligence has cost the Company, two years of legal fees, along with the opportunity costs of two years of stifled operations.

ENTITLEMENT TO SPECIFIC AMOUNT OF COMPENSATION

During our conference call (June 9th) we got the impression that Mr. Waugh believes that the "amount" of his further compensation is somewhat "carved-in-stone." It seems that Mr. Waugh believes he is *entitled* to the 2.2 million shares (stock or its equivalency) and cash, and is going to receive that amount, or close to it, in a settlement with Preferred. "If" Mr. Waugh has these thoughts, he is sorely mistaken. As noted above, the Company challenges the "quality" of Mr. Waugh's services as not being "as advertised," thus, his receiving anything close to his full claim is simply not going to happen.

As a small start-up, Preferred does not have the luxury of in-house redundancy in its pursuit of its business objectives. It, as is often the case with small companies, relies on outside experts until such time as it is prudent to fully develop its in-house organizational structure. Preferred relied on Mr. Waugh to provide input to the Company, and deliver on his representations as being an "expert" in various matters. Unfortunately, the Company's reliance on Mr. Waugh was (in hindsight) ill-advised; consequently, the expected positive impact to Company never materialized. To the contrary, Mr. Waugh's overall involvement has had a negative impact.

It is ridiculous to expect a company to pay for something it didn't receive. Mr. Waugh promised many things, but in the end, delivered very little. The Company has specific problems with Mr. Waugh's "consulting services." These include, but are not limited to, his advice, data and strategy regarding: (1) FCC Auction #34, in which the Company expended over \$31 million to acquire certain licensing rights, (2) financial forecasts and business models, and (3) the FCC 800Mhz "Rebanding Proceeding" – WT 02-55.

Absent a settlement of this matter, Preferred is prepared to hold to its contention that Mr. Waugh is not entitled to any further compensation and furthermore, may be liable for damages caused to the Company. Mr. Waugh has threatened to litigate this matter. The Company is ready, willing and able to not only defend itself against any and all claims by Mr. Waugh; but will also pursue its own claims and/or counterclaims against Mr. Waugh.

PREFERRED'S SETTLEMENT EFFORTS

Preferred's pursuits and actions will be based on what is in the best interest of the Company as a whole. As with all companies, each decision Preferred makes will not necessarily be embraced by all who have a vested interest. However, well-reasoned, prudent actions that further the collective interests of a company will always prevail as the proper course of action.

The above commentary notwithstanding, we believe it is beneficial to resolve our differences sooner as opposed to late. Unfortunately, even though this is a private business matter, the ongoing EB action against Preferred and Mr. Waugh causes a settlement with us to be relevant to that proceeding. Accordingly, any settlement between us will be contingent upon a global settlement with the FCC.

Preferred, in making its previously stated offer to Mr. Waugh, believes it was exceedingly generous regarding the amount being offered. Recognizing, of course, that each and every dollar that is ultimately paid to Mr. Waugh is a dollar that will not be paid to the "investors," who have provided over \$40 million in capital to Preferred.

The offer of the equivalency of 800,000 shares has the potential of being worth millions of dollars. As such, it is a generous offer in light of the above comments regarding the value of Mr. Waugh's consulting services to Preferred. The primary reason for making such an offer at this time is that it is part of a puzzle that provides a high level of certainty in achieving a "*global settlement*" of the EB action. The benefits (to Preferred) of an expeditious, *global* settlement are of a magnitude that justifies the amount of further compensation to Mr. Waugh, which some may consider as an overpayment.

There is a delicate balance for the Company as to what is prudent. There are many variables in play, one of the more significant is time. Certain windows of opportunity for Preferred are closing. The Company's efforts have been stifled in the past due to the FCC's Rebidding Proceeding and by the EB actions. If it does not begin to move forward immediately, it likely never will.

The element of time has an impact on the Company's decision matrix. Over three months has passed since the possibility of a settlement with the EB was envisioned by all parties. Yet, the matter of the contract dispute between Waugh and Preferred continues unresolved.

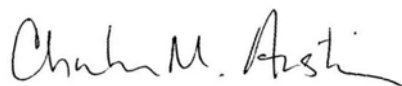
If we are going to hit an impasse, the sooner we know, the better we can deal with it. Failure to reach a settlement with Mr. Waugh regarding his compensation does not preclude us from

reaching a separate settlement in the EB action. If we take this path, any and all offers of a financial settlement with Mr. Waugh will be fully rescinded and the Company will thereafter take the position that Mr. Waugh is entitled to nothing. Thus, Mr. Waugh's only recourse will be to prevail in a civil case against Preferred, whereby he will need to prove to a court that he is entitled to something. Preferred will vigorously defend against any such action.

Time is of the essence. Please communicate to us as soon as possible with any substantive comments you may have regarding this letter, and/or the attached LOI. All things considered, we assume it will be a matter of very few days before you will respond.

Nothing in this letter should be construed as Preferred waiving any rights or claims it may have if the subject matter is not settled. This includes Preferred's claim (and/or defense against Waugh's claims) that no compensation (monies or stock) is due to Waugh or his so-called Trust.

Sincerely,

A handwritten signature in cursive script that reads "Charles M. Austin". The signature is written in dark ink and is positioned below the word "Sincerely,".

Charles M. Austin
President

ATTACHMENT C



July 15, 2009

Mr. Gary Oshinsky, Esq.
and
Ms. Anjali Singh, Esq.

Investigations and Hearings Division
Enforcement Bureau
Federal Communications Commission
445 12th Street, S.W., Room 4-A335
Washington DC 20554

Dear Anjali and Gary:

This letter is in furtherance to our efforts to reach a settlement with the FCC regarding the Enforcement Bureau action of Docket # 07-147 ("EB Action").

We have been aware of the preference to reach a "global" settlement on the EB Action; being one that all parties execute. We have been trying for many weeks to achieve such a settlement, but have now found ourselves at an impasse. This impasse involves Mr. Pendleton C. Waugh.

As you are aware, we have an ongoing open issue with Mr. Waugh. Preferred sees this as a business dispute between two parties, nothing more, nothing less. There can be no question that the "dispute" between Waugh and Preferred is a "contractual" matter. It is a private business matter between two parties who can't agree on the payment of consideration for consulting fees.

This "dispute" has been ongoing for years without resolution; with its origins dating back over ten years. It has evolved to a point where the only thing in common between the parties is that each has declared the other to be in "breach" of the agreement.

The matter of the amount and form of further compensation, if any, to Mr. Waugh for services rendered as a consultant is an exceedingly contentious matter. Mr. Waugh summarized his current relationship with Preferred quite clearly in his deposition, dated January 26, 2009, in the FCC Enforcement Bureau (EB) action against Preferred, et al. In his deposition, Mr. Waugh described the "possibility of litigation" (with Preferred) regarding his compensation as ".....a highly likely probability of litigation." and further stated that litigation was a "virtual certainty."

To this point in time, it has been envisioned that a global settlement of the EB Action would coincide with a resolution of all matters involving all parties, including the contract dispute between Preferred and Waugh. This would provide transparency and clarity of all matters raised in the EB Action.

Despite many weeks of efforts, we have reached an impasse with Mr. Waugh. It is beyond the scope of this letter to expand on all the details. Moreover, Mr. Silva's letter (dated July 8, 2009) to Preferred and the FCC stating Mr. Waugh's position, in response to Preferred's previously stated and fully documented position, affirms the impasse.

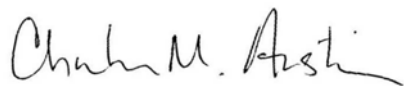
In an effort to reach a settlement (global or otherwise) of the EB Action, we have prepared a term sheet (see attached) that clearly describes the terms and conditions under which we will execute an agreement (global or otherwise).

If you choose to continue to pursue a "global" settlement, it is not our place to question it; however, we caution you that we believe Mr. Waugh has ulterior motives in delaying settlement. Furthermore, as a friendly reminder, Mr. Silva's letter (dated July 8, 2009) to Preferred and the FCC, in consort with his previous correspondence, is a clear indication that Mr. Waugh has no intentions of settling anything.

We respectfully ask that you proceed as expeditiously as possible. If you continue to remain hopeful that a "global" settlement can still be achieved, we ask that you plan for all possibilities by simultaneously launching the effort to have a settlement that doesn't require Mr. Waugh's signature in place. Thus, if Mr. Waugh further delays the process or otherwise rejects a global resolution, we can immediately proceed without Mr. Waugh.

As always, if you have any questions please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles M. Austin".

Charles M. Austin
President

**PROPOSED SETTLEMENT TERMS
WITH THE
FCC ENFORCEMENT BUREAU**

**PRESENTED BY
PREFERRED COMMUNICATION SYSTEMS, INC.,
PREFERRED ACQUISITIONS, INC.,
AND
CHARLES M. AUSTIN**

Preferred Communication Systems, Inc. (“Preferred”), Preferred Acquisitions, Inc. (“PAI”), and Charles M. Austin (“Austin”), (collectively, “Respondents”), hereby submit these joint settlement terms to the Enforcement Bureau staff, respecting the proceeding EB Docket No. 07-147, *In the Matter of Preferred Communication Systems, Inc., et al.* This document sets forth both a proposed substantive settlement and a structure for implementing that settlement which the Respondents believe to be consistent with Commission rules. However, if the Bureau staff believes that there is a better alternative structure, Respondents are amenable to another structure, which satisfies Commission rules.

I. Proposed Structure

Respondents will agree with settling this Hearing similar to the way the Enforcement Bureau settled the Commercial Radio Service, Inc., Timothy M. Doty case. In the Doty case, the settlement agreement was the ruling. However, the Respondents remain flexible on this issue.

II. Settlement Terms

A. Voluntary Contribution to the US Treasury

Preferred will agree to a “voluntary contribution” and pay to the US Treasury the total sum of one hundred thousand dollars (\$100,000), payable in twenty-five monthly installments of \$4,000 each, with the first monthly installment due and payable thirty days after the ALJ Order ripens into a final, unappealable order. Preferred and PAI would be jointly and severally liable to pay.

B. Waiver of Construction Requirements and Reinstatement of Licenses

As a condition of settlement, the Enforcement Bureau will lift its opposition to any and all of the Respondent’s waiver requests / reinstatements that are subject to review and approval by the FCC’s Wireless Telecommunications Bureau (“WTB”). The settlement agreement is not specifically conditioned on the grant of these waivers; however, the Respondent’s have a reasonable expectation that said waivers will be granted and all licenses will be reinstated. The

Respondent's expectations are that the waivers will provide sufficient and reasonable amount time to construct on their licensed frequencies. To date, the Respondent's have been effectively precluded from constructing due to the FCC's ongoing "800 MHz Rebanding Proceeding" (pursuant to orders issued in WT 02-55); under which the Respondent's are required to accept new frequency assignments. To date, the Respondent's have not received their new frequency assignments. Accordingly, a reasonable amount of time would be at least eighteen (18) months from the time the Respondent's have full and unfettered access to their new frequency assignments.

C. Voluntary Relinquishment of Licenses

Respondents will agree to return to the FCC, licenses for sites and frequencies that are reflected by the call signs included as "Attachment A" hereto. This list includes approximately 56 individual frequency assignments. These are frequencies that are not critical to the respondent's development plans. Furthermore, to the extent any of these have been canceled, or are cancelled prior to their being "returned" to the FCC, there will not be any substitutes and the actual number considered as "returned" will be reduced.

D. Corporate Governance

The Respondent's fully appreciate that during the course of the EB's review, various concerns of the Company's historical management have become visible. At the same time it must be acknowledge that the managing of a company's business affairs is incumbent on the company, not the FCC. The ability of the Company to control its own destiny via its shareholders and duly appointed/elected officers and directors must be preserved. Furthermore, the vital role of the FCC is in its oversight, not in some form of overly constrictive involvement in the day-to-day affairs of licensees. In making these statements, we are not implying that the FCC has suggested otherwise. Instead, we are merely describing the framework the has led to the previous discussions of the concept of "White Knights." In hindsight, the use of the term "White Knight," was somewhat out of place.

The intent is to provide a level of comfort to the FCC that past situations will not be repeated in the future. As we revisit the "White Knight" concept, it isn't so much a matter of day-to-day management, as it is overall corporate governance. Accordingly, the focus should be on the assurance of reasonable **corporate governance**, which comes as a result of prudent policies and procedures as executed by individuals with the requisite experience.

The combination of the FCC's "800 MHz rebanding proceeding" and the EB actions have caused Preferred to be somewhat of an *ugly duckling*. To this day, no one can say what frequencies Preferred has in its markets, or when it will have unfettered access to them. It has many hurdles to cross before this *ugly duckling* can grow to be a swan. To a degree, the bulk of Preferred's existence is in on a couple of computers and in a handful of files at the FCC.

Respondents will agree to a stair-stepped approach to strengthen its corporate governance.

Respondents will agree to elect/appoint at least one individual to Preferred's Board of Directors with wireless communications and/or business operating experience within thirty days of the Court's approval of the settlement, if not sooner.

Additionally, Preferred/PAI will hire, at the very least, an individual as Chief Operating Officer and an individual as Chief Financial Officer within 60 days of its receiving access to the final new frequency assignments.

E. Respondent's Relationship with Pendleton C. Waugh

(1) Employment/Consulting.

Respondents will agree and attest that Mr. Waugh is not and never will be employed by, or to serve as a consultant to, Preferred or PAI in any capacity. Preferred/PAI will forever agree to halt any relationship with Mr. Waugh as it relates to any license currently owned or controlled by Preferred/PAI or any of its subsidiaries and further agrees that at any time in the future any entities controlled or owned by Preferred/PAI or any of its subsidiaries will not engage Waugh in any activities related to FCC licensees.

(2) Stock Ownership and/or Beneficial Interests.

First and foremost, the Respondent's will attest and affirm to the FCC that it and its affiliates and subsidiaries **will never** issue stock, warrants to acquire stock, or equity ownership of any kind to Waugh or any entity for the benefit of Waugh, including but not limited to any form of trust.

Notwithstanding the above, Preferred must still contend with Waugh's claims associated with his "consulting agreement" with Preferred. As the EB is aware from the record in this proceeding, the matter of the amount and form of further compensation, if any, to Waugh for services as a consultant is an exceedingly contentious issue. Furthermore, the Company believes that if it cannot reach a settlement directly with Waugh, the only resolution might be in a court of law having jurisdiction over such civil matters, assuming Waugh carries through with his threat of litigation.

Preferred will attest and affirm to the FCC that a resolution, if any, of Preferred's contract dispute with Waugh will not include any issuing stock, warrants to acquire stock, or equity ownership of any kind to Waugh or any entity for the benefit of Waugh, including but not limited to any form of trust. Any such resolution will be in the form of cash, some form of debt (e.g. promissory note), or a contingent payment arrangement.

F. Respondent's Relationship with Jay Bishop

(1) Employment/Consulting.

Respondents will agree and attest that Mr. Bishop is not and never will be employed by, or to serve as a consultant to, Preferred or PAI in any capacity. Preferred/PAI will forever agree to halt any relationship with Mr. Bishop as it relates to any license currently owned or controlled by Preferred/PAI or any of its subsidiaries and further agrees that at any time in the future any entities controlled or owned by Preferred/PAI or any of its subsidiaries will not engage Bishop in any activities related to FCC licensees.

(2) Stock Ownership and/or Beneficial Interests.

First and foremost, the Respondent's will attest and affirm to the FCC that it and its affiliates and subsidiaries will never issue stock, warrants to acquire stock, or equity ownership of any kind to Bishop or any entity for the benefit of Bishop, including but not limited to any form of trust.

Notwithstanding the above, Preferred must still contend with Bishop's claims associated with his "consulting agreement" with Preferred. As the EB is aware from the record in this proceeding, the matter of the amount and form of further compensation, if any, to Waugh for services as a consultant is an exceedingly contentious issue. Although Bishop's claims are not currently contentious, as are Waugh's, there is sufficient historical connection for it to be in the company's best interest to defer any settlement with Bishop at this time. Furthermore, the Company believes that if it cannot reach a settlement directly with Bishop, the only resolution might be in a court of law having jurisdiction over such civil matters.

Preferred will attest and affirm to the FCC that a resolution, if any, of Preferred's contract dispute with Bishop will not include any issuing stock, warrants to acquire stock, or equity ownership of any kind to Bishop or any entity for the benefit of Bishop, including but not limited to any form of trust. Any such resolution will be in the form of cash, some form of debt (e.g. promissory note), or a contingent payment arrangement.

G. EB Investigation and Order to Show Cause are Terminated

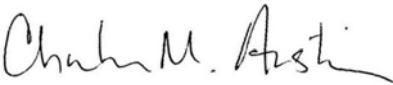
Having no findings to the contrary, the FCC acknowledges (re: Respondent's) that all matters investigated by the EB, along with all matters designated for hearing pursuant to the Order to Show Cause, have been resolved and will not be resurrected in the future. We assume this item will be included in the final settlement document with language that is typical and traditional for such an agreement.

H. Additional Provisions.

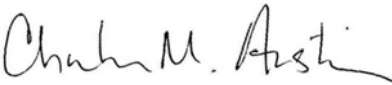
- (1) Preferred/PAI, Mr. Austin must always check “yes” and attach an exhibit explaining this case on all applicable FCC filings/applications.
- (2) Preferred/PAI will agree to file an annual compliance report for 5 years.
- (3) Preferred/PAI agrees to reports compliance regarding rebanding efforts.

Respectfully submitted,

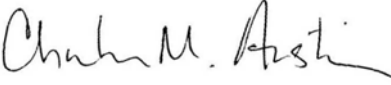
**PREFERRED COMMUNICATION
SYSTEMS, INC.**

By: 
Charles M. Austin, President

PREFERRED ACQUISITIONS, INC.

By: 
Charles M. Austin, President

CHARLES M. AUSTIN

By: 
Charles M. Austin, Individually

ATTACHMENT

A

PCSI Site License Inventory in Puerto Rico (Reinstate Licenses in Bold/Green Highlight)

#	CallSign	Name	FRN	Type	Status	Expiration Date
3	WPDU214	Preferred Communication Systems, Inc.	3944097	GX	Expired	5/19/2004
18	WPEY420	Preferred Communication Systems, Inc.	3944097	GX	Expired	5/19/2004
24	WPEY426	Preferred Communication Systems, Inc.	3944097	GX	Expired	5/19/2004
46	WPFD742	Preferred Communication Systems, Inc.	3944097	GX	Expired	7/7/2004
59	WPFM581	Preferred Communication Systems, Inc.	3944097	GX	Expired	8/8/2004
54	WPFF659	Preferred Communication Systems, Inc.	3944097	GX	Expired	9/30/2004
55	WPFF670	Preferred Communication Systems, Inc.	3944097	GX	Expired	9/30/2004
84	WPGD849	Preferred Communication Systems, Inc.	3944097	GX	Expired	12/22/2004
6	WPDU259	Preferred Communication Systems, Inc.	3944097	GX	Expired	2/28/2005
58	WPGF599	Preferred Communication Systems, Inc.	3944097	GX	Active	6/14/2015
15	WPEX345	Preferred Communication Systems, Inc.	3944097	GX	Active	5/12/2009
1	WPDU206	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
2	WPDU210	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
4	WPDU218	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
5	WPDU222	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
16	WPEY418	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
17	WPEY419	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
19	WPEY421	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
20	WPEY422	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
21	WPEY423	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
22	WPEY424	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
23	WPEY425	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
25	WPEY427	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
26	WPEY429	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
27	WPEY430	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
28	WPEY431	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
29	WPEY432	Preferred Communication Systems, Inc.	3944097	GX	Active	5/19/2009
8	WPDU266	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
30	WPEY445	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
31	WPEY446	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
32	WPEY447	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
33	WPEY448	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
34	WPEY450	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
35	WPEY451	Preferred Communication Systems, Inc.	3944097	GX	Active	5/24/2009
13	WPEF461	Preferred Communication Systems, Inc.	3944097	GX	Active	5/25/2009
14	WPEU434	Preferred Communication Systems, Inc.	3944097	GX	Active	6/8/2009
36	WPEZ750	Preferred Communication Systems, Inc.	3944097	GX	Active	6/8/2009
37	WPFA265	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
38	WPFA266	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
39	WPFA268	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
40	WPFA269	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
41	WPFA270	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
42	WPFA273	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
43	WPFA278	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
44	WPFA280	Preferred Communication Systems, Inc.	3944097	GX	Active	6/9/2009
7	WPDU263	Preferred Communication Systems, Inc.	3944097	GX	Active	6/15/2009
9	WPDU271	Preferred Communication Systems, Inc.	3944097	GX	Active	6/15/2009
10	WPDU275	Preferred Communication Systems, Inc.	3944097	GX	Active	6/15/2009
11	WPDU279	Preferred Communication Systems, Inc.	3944097	GX	Active	6/15/2009
12	WPDU287	Preferred Communication Systems, Inc.	3944097	GX	Active	6/15/2009
45	WPFD607	Preferred Communication Systems, Inc.	3944097	GX	Active	6/22/2009
47	WPFD808	Preferred Communication Systems, Inc.	3944097	GX	Active	6/23/2009

49	WPFD810	Preferred Communication Systems, Inc.	3944097	GX	Active	6/23/2009
50	WPFD811	Preferred Communication Systems, Inc.	3944097	GX	Active	6/23/2009
51	WPFD812	Preferred Communication Systems, Inc.	3944097	GX	Active	6/23/2009
52	WPFE472	Preferred Communication Systems, Inc.	3944097	GX	Active	6/24/2009
56	WPGG589	Preferred Communication Systems, Inc.	3944097	GX	Active	7/7/2009
53	WPFE934	Preferred Communication Systems, Inc.	3944097	GX	Active	7/18/2009
60	WPFM597	Preferred Communication Systems, Inc.	3944097	GX	Active	8/8/2009
61	WPFM600	Preferred Communication Systems, Inc.	3944097	GX	Active	8/8/2009
63	WPFN600	Preferred Communication Systems, Inc.	3944097	GX	Active	8/9/2009
64	WPFN636	Preferred Communication Systems, Inc.	3944097	GX	Active	8/9/2009
65	WPFN725	Preferred Communication Systems, Inc.	3944097	GX	Active	9/30/2009
69	WPFT334	Preferred Communication Systems, Inc.	3944097	GX	Active	10/4/2009
70	WPFT335	Preferred Communication Systems, Inc.	3944097	GX	Active	10/4/2009
74	WPFT416	Preferred Communication Systems, Inc.	3944097	GX	Active	10/4/2009
67	WPF846	Preferred Communication Systems, Inc.	3944097	GX	Active	10/5/2009
68	WPF856	Preferred Communication Systems, Inc.	3944097	GX	Active	10/5/2009
75	WPFT417	Preferred Communication Systems, Inc.	3944097	GX	Active	10/5/2009
62	WPFN354	Preferred Communication Systems, Inc.	3944097	GX	Active	10/6/2009
76	WPFT968	Preferred Communication Systems, Inc.	3944097	GX	Active	10/6/2009
71	WPFT356	Preferred Communication Systems, Inc.	3944097	GX	Active	10/7/2009
72	WPFT357	Preferred Communication Systems, Inc.	3944097	GX	Active	10/7/2009
73	WPFT369	Preferred Communication Systems, Inc.	3944097	GX	Active	10/13/2009
77	WPFV692	Preferred Communication Systems, Inc.	3944097	GX	Active	10/21/2009
78	WPFV884	Preferred Communication Systems, Inc.	3944097	GX	Active	10/24/2009
79	WPF997	Preferred Communication Systems, Inc.	3944097	GX	Active	10/28/2009
80	WPFZ805	Preferred Communication Systems, Inc.	3944097	GX	Active	11/9/2009
81	WPFZ806	Preferred Communication Systems, Inc.	3944097	GX	Active	11/9/2009
82	WPFZ807	Preferred Communication Systems, Inc.	3944097	GX	Active	11/9/2009
83	WPFZ808	Preferred Communication Systems, Inc.	3944097	GX	Active	11/9/2009
85	WPGD852	Preferred Communication Systems, Inc.	3944097	GX	Active	12/22/2009
66	WPFQ293	Preferred Communication Systems, Inc.	3944097	GX	Active	2/25/2010
48	WPFD809	Preferred Communication Systems, Inc.	3944097	GX	Active	2/28/2010
57	WPGG598	Preferred Communication Systems, Inc.	3944097	GX	Active	6/14/2010
86	WPGD855	Preferred Communication Systems, Inc.	3944097	GX	Active	12/22/200

GX Licenses in Puerto Rico PCSI (Reinstated)					
1	WPEY424	Preferred Communication Systems, Inc.	SANTURCE	PR	854.3625
2	WPEY425	Preferred Communication Systems, Inc.	SANTURCE	PR	854.4375
3	WPEY430	Preferred Communication Systems, Inc.	SANTURCE	PR	854.4625
4	WPFA265	Preferred Communication Systems, Inc.	SAN JUAN	PR	854.1375
5	WPFA266	Preferred Communication Systems, Inc.	SANTURCE	PR	854.1875
6	WPFA268	Preferred Communication Systems, Inc.	SANTURCE	PR	854.2375
7	WPFA269	Preferred Communication Systems, Inc.	SANTURCE	PR	854.2875
8	WPFA273	Preferred Communication Systems, Inc.	SANTURCE	PR	854.3875
9	WPFD607	Preferred Communication Systems, Inc.	SANTURCE	PR	854.2625
10	WPFD808	Preferred Communication Systems, Inc.	SANTURCE	PR	854.3375
11	WPFD809	Preferred Communication Systems, Inc.	SANTURCE	PR	854.4875
12	WPFD810	Preferred Communication Systems, Inc.	SANTURCE	PR	854.5375
13	WPFE472	Preferred Communication Systems, Inc.	SANTURCE	PR	854.1625
14	WPGG589	Preferred Communication Systems, Inc.	CAGUAS	PR	854.5625
15	WPGG599	Preferred Communication Systems, Inc.	CAGUAS	PR	854.6375
16	WPFZ805	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.7125
17	WPFZ806	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.5875
18	WPFZ807	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.6625

19	WPFZ808	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.4875
20	WPGD852	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.3875
21	WPGD855	Preferred Communication Systems, Inc.	MAYAGUEZ	PR	854.6875

GX Licenses in Puerto Rico PCSI (Surrender)				
1	WPDU206	Preferred Communication Systems, Inc.	3944097	
2	WPDU210	Preferred Communication Systems, Inc.	3944097	
4	WPDU218	Preferred Communication Systems, Inc.	3944097	
5	WPDU222	Preferred Communication Systems, Inc.	3944097	
7	WPDU263	Preferred Communication Systems, Inc.	3944097	
8	WPDU266	Preferred Communication Systems, Inc.	3944097	
9	WPDU271	Preferred Communication Systems, Inc.	3944097	
10	WPDU275	Preferred Communication Systems, Inc.	3944097	
11	WPDU279	Preferred Communication Systems, Inc.	3944097	
12	WPDU287	Preferred Communication Systems, Inc.	3944097	
13	WPEF461	Preferred Communication Systems, Inc.	3944097	
14	WPEU434	Preferred Communication Systems, Inc.	3944097	
15	WPEX345	Preferred Communication Systems, Inc.	3944097	
16	WPEY418	Preferred Communication Systems, Inc.	3944097	
17	WPEY419	Preferred Communication Systems, Inc.	3944097	
19	WPEY421	Preferred Communication Systems, Inc.	3944097	
20	WPEY422	Preferred Communication Systems, Inc.	3944097	
21	WPEY423	Preferred Communication Systems, Inc.	3944097	
23	WPEY427	Preferred Communication Systems, Inc.	3944097	
24	WPEY429	Preferred Communication Systems, Inc.	3944097	
25	WPEY431	Preferred Communication Systems, Inc.	3944097	
26	WPEY432	Preferred Communication Systems, Inc.	3944097	
27	WPEY445	Preferred Communication Systems, Inc.	3944097	
28	WPEY446	Preferred Communication Systems, Inc.	3944097	
29	WPEY447	Preferred Communication Systems, Inc.	3944097	
30	WPEY448	Preferred Communication Systems, Inc.	3944097	
31	WPEY450	Preferred Communication Systems, Inc.	3944097	
32	WPEY451	Preferred Communication Systems, Inc.	3944097	
33	WPEZ750	Preferred Communication Systems, Inc.	3944097	
34	WPFA270	Preferred Communication Systems, Inc.	3944097	
35	WPFA278	Preferred Communication Systems, Inc.	3944097	
36	WPFA280	Preferred Communication Systems, Inc.	3944097	
38	WPFD811	Preferred Communication Systems, Inc.	3944097	
39	WPFD812	Preferred Communication Systems, Inc.	3944097	
40	WPFE934	Preferred Communication Systems, Inc.	3944097	
43	WPGF598	Preferred Communication Systems, Inc.	3944097	
45	WPFM597	Preferred Communication Systems, Inc.	3944097	
46	WPFM600	Preferred Communication Systems, Inc.	3944097	
47	WPFN354	Preferred Communication Systems, Inc.	3944097	
48	WPFN600	Preferred Communication Systems, Inc.	3944097	
49	WPFN636	Preferred Communication Systems, Inc.	3944097	
50	WPFN725	Preferred Communication Systems, Inc.	3944097	
51	WPFQ293	Preferred Communication Systems, Inc.	3944097	
52	WPFS846	Preferred Communication Systems, Inc.	3944097	
53	WPFS856	Preferred Communication Systems, Inc.	3944097	
54	WPFT334	Preferred Communication Systems, Inc.	3944097	
55	WPFT335	Preferred Communication Systems, Inc.	3944097	
56	WPFT356	Preferred Communication Systems, Inc.	3944097	

57	WPFT357	Preferred Communication Systems, Inc.	3944097
58	WPFT369	Preferred Communication Systems, Inc.	3944097
59	WPFT416	Preferred Communication Systems, Inc.	3944097
60	WPFT417	Preferred Communication Systems, Inc.	3944097
61	WPFT968	Preferred Communication Systems, Inc.	3944097
62	WPFV692	Preferred Communication Systems, Inc.	3944097
63	WPFV884	Preferred Communication Systems, Inc.	3944097
64	WPFX997	Preferred Communication Systems, Inc.	3944097